

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
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LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
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FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 9540
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C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 4530

E.O. 11652: GDS
TAGS: ETRD, EIND, ELTN, EWWT, ETRW, PEPR, AR, CI
SUBJECT: BEAGLE NEGOTIATIONS -- ARGENTINA APPLIES SOME PRESSURE

REF: SANTIAGO 4487

1. SUMMARY: IN RECENT WEEKS THE GOVERNMENT OF ARGENTINA HAS TAKEN A SERIES OF MEASURES APPARENTLY DESIGNED TO BRING PRESSURE ON THE GOC IN THE BEAGLE CHANNEL NEGOTIATIONS. ONE, THE REFUSAL TO SELL BUSES, WAS TAKEN OSTENSIBLY FOR NATIONAL SECURITY CONSIDERATIONS. THE RESTRICTIONS ON CHILEAN WOOD EXPORTS TO ARGENTINA (WHICH MAY NOW HAVE BEEN LIFTED) AND THE INCREASED HARASSMENT OF CHILEAN TRUCKERS TRANSITING ARGENTINA ARE MORE NARROWLY ECONOMIC. THE INITIAL GOC REACTION WAS RELATIVELY MILD, BUT HAS NOW HEATED UP, WITH THE CHILEANS REQUESTING GOA EXPLANATION OF THE MEASURES. PRESSURE FOR RETALIATION IS BUILDING IN THE PRIVATE SECTOR. END SUMMARY.

2. THIS ISSUE WAS PRECIPATED WHEN THE PRESS REPORTED A GOA LAW NO. 21, 775, PUBLISHED APRIL 10, IN THE ARGENTINE OFFICIAL GAZETTE, PLACING RESTRICTIONS ON
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EXPORTS TO CHILE OF PRODUCTS AND COMMODITIES DEEMED TO HAVE STRATEGIC/MILITARY USE. THE DETERMINATION OF WHAT CONSTITUTES STRATEGIC GOODS APPEARS TO BE LEFT IN MANY CASES TO THE DISCRETION OF ARGENTINE BORDER OFFICIALS. THE RESTRICTIONS REPORTEDLY WERE FIRST APPLIED TO MERCEDES BENZ BUSES, PERKINS DIESEL MOTORS, AND ASSORTED AUTOMOTIVE PARTS BUT SOON WERE EXPANDED TO PHARMACEUTICAL PRODUCTS

AND AMONG OTHER ITEMS OF "STRATEGIC IMPORTANCE" - SODA CRACKERS. ACCORDING TO THE PRESS, NO SUCH RESTRICTIONS WERE PLACED ON ARGENTINE EXPORTS TO BOLIVIA AND TO EUROPE. THE DECREE AS PUBLISHED GIVES THE EXECUTIVE THE AUTHORITY TO STOP SUCH EXPORTS ON THE BASIS OF NATIONAL SECURITY. THE INITIAL EXPORT RESTRICTIONS WERE EXPANDED BY A DECREE PUBLISHED IN ARGENTINA MAY 23 REQUIRING ALL EXPORTS TO CHILE TO HAVE PRIOR MINISTRY OF DEFENSE APPROVAL. THIS LATEST HURDLE HAS REPORTEDLY STYMIED 70 TONS OF CHEMICALS DESTINED FOR CHILE AT THE PORTS OF EMBARKATION.

3. A SECOND MEASURE, RESOLUTION NO. 363, ADOPTED BY THE ARGENTINE MINISTRY OF AGRICULTURE AND LIVESTOCK AND REPORTEDLY PUBLISHED IN THE GAZETTE OF MAY 22, PROVOKED GREATER CONCERN. ACCORDING TO PRESS REPORTS, THE RESOLUTION DECREES THAT ALL CHILEAN LUMBER MUST NOW ENTER ARGENTINA VIA SEA ROUTES, INSTEAD OF BY LAND AND MUST BE DISINFECTED WITH SPECIAL CHEMICALS WITHIN 48 HOURS AFTER ARRIVAL AT THE PORT. THE RESOLUTION REPORTEDLY CHARGES THAT CHILEAN LUMBER IS INFESTED WITH PARASITES WHICH WOULD THREATEN ARGENTINE CONIFERS. (COMMENT: SANTIAGO PRESS JUNE 14 QUOTES PRIVATE SOURCES AS SAYING THAT AN ARGENTINE RESOLUTION JUNE 8 HAS PERMITTED RENEWED LUMBER IMPORTS FROM CHILE, APPARENTLY SIGNALING A LIFTING OF THE BAN ON LUMBER.

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4. GOC AND FAO OFFICIALS CLAIM THESE CHARGES ARE UNFOUNDED, THAT THE PARASITE NAMED INFESTS LIVE SAP BEARING TREES AND NOT CUT LUMBER. FURTHER, THEY SAY THIS PARASITE HAS NEVER INFESTED THE SPECIES OF TREE WHICH ARE EXPORTED TO ARGENTINA AND EVEN IF IT DID, THE FUMIGATION AGENT PRESCRIBED IS FAR TOO COSTLY AND HARMFUL TO BE USED ON BULK LUMBER SHIPMENTS. A SAFER, LESS COSTLY, AND MORE EFFICIENT DISINFECTANT COULD BE USED, SAYS A FAO OFFICIAL, IF KILLING PARASITES WAS THE KEY CONCERN OF THE DECREE LAW. AS NINETY PERCENT OF CHILEAN LUMBER EXPORTED TO ARGENTINA GOES VIA LAND, THE ADDED COSTS OCCASIONED BY REQUIRED SEA ROUTE ALONE WOULD MAKE CHILEAN LUMBER NON-PRICE COMPETITIVE. (COMMENT: A SANTIAGO-BASED FAO OFFICIAL TOLD EMBOFF THAT ARGENTINA LUMBER PRODUCERS WERE COMPLAINING TO THE GOA THAT THEY COULD NOT COMPETE WITH CHILEAN IMPORTS, PERHAPS PARTLY EXPLAINING WHY LUMBER IMPORT RESTRICTIONS WERE IMPOSED.)

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5. IN ADDITION, CHILEAN TRUCK DRIVERS TRANSITING ARGENTINE POINTS EN ROUTE TO SOUTHERN CHILEAN POINTS HAVE COMPLAINED OF INCREASINGLY STIFF ARGENTINE CUSTOMS REGULATIONS ON WEIGHT AND LENGTH OF TRUCKS, OBLIGING MANY TO TURN BACK IF THEY DO NOT MEET CERTAIN STANDARDS. OVERLY STRICT INSPECTION PROCEDURES AT THE BORDERS ARE SAID TO BE CAUSING LONG LINES AND WAITS OF UP TO THREE DAYS.

6. CHILEAN PRIVATE SECTOR VIEWS. INDIGNANT, CHILEAN PRIVATE BUSINESSMEN HAVE YELLED FOUL PLAY. THE PRESIDENT OF THE CHILEAN-ARGENTINE CHAMBER OF COMMERCE, SERGIO VALDIVIESCO, CHARGED THAT THE MEASURES HURT PRIVATE CONTRACTURAL AGREEMENTS AS WELL AS PRINCIPLES OF FREE TRADE. VALDIVIESCO BRANDED THE ACTION "AGGRESSIVE" AND STATED IT DAMAGED TRADE RELATIONS BETWEEN THE TWO COUNTRIES. LEON VILARIN, PRESIDENT OF THE CONFEDERATION OF TRUCK OWNERS OF CHILE, STATED IN AN "EL MERCURIO" ARTICLE OF JUNE 1 THAT HE HAD GIVEN JUNTA MEMBER GENERAL GUSTAVO LEIGH A DOCUMENT OUTLINING THE "ENEMY TREATMENT" GIVEN CHILEAN TRUCK DRIVERS BY ARGENTINE CUSTOMS AGENTS. AMONG OTHER THINGS, HE SAID, THE GOA OFFICIALS ARE TEARING
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UP THE TRUCKDRIVERS' DOCUMENTATION AND CONFISCATING LUBRICANTS. VILARIN ASSERTED THAT THE VOLUME OF CARGO TRAVELLING THROUGH ARGENTINE TERRITORY HAS DIMINISHED BY SIXTY PERCENT RECENTLY.

7. GOC REACTION. THE INITIAL PUBLIC RESPONSE OF THE GOC HAD BEEN TO MINIMIZE THE IMPORTANCE OF THE MEASURES. MINISTER OF THE ECONOMY PABLO BARAONA TOLD THE PRESS MAY 23 THAT THE MEASURES DID NOT HAVE "RELEVANCE" AND, FURTHERMORE, CHILEAN FOREIGN TRADE WAS ON SOUND FOOTING, HAVING ACCESS TO VARIOUS ALTERNATIVE INTERNATIONAL MARKETS. THIS SAME SENTIMENT WAS ECHOIED BY PRO-CHILE (GOC TRADE PROMOTION) OFFICIALS. IN PRIVATE TALKS, FOREIGN MINISTRY OFFICIALS TOLD US THAT THE MEASURES REPRESENTED GOA HARASSMENT LINKED TO THE CURRENT BEAGLE NEGOTIATIONS. THEY ADDED, HOWEVER, THAT WITH THE POSSIBLE EXCEPTION OF THE RESTRICTION AFFECTING THE SALE OF CHILEAN LUMBER TO ARGENTINA -- WHICH EXCEEDED US\$15 MILLION IN 1977 -- THE MEASURES DID NOT AMOUNT TO MUCH. GOC OFFICIALS FURTHER CONTENDED THAT LIMITING EXPORT SALES TO CHILE WOULD HURT ARGENTINE EXPORTERS MORE. ARGENTINA HAS HISTORICALLY HAD A SURPLUS BALANCE IN BILATERAL TRADE WITH CHILE. ANNUAL EXPORTS TO CHILE ARE ESTIMATED AT \$270 MILLION; CHILEAN EXPORTS TO ARGENTINA AT ABOUT \$120 MILLION. FURTHERMORE, THEY CONTENDED THAT THE ONGOING PRIVATE AND INFORMAL TALKS AMONG GOVERNMENT AND BUSINESS SECTORS OF BOTH COUNTRIES WOULD REACH A "SOLUTION" (READ LIFTING OR MODIFICATION OF THE RESTRICTIONS).

8. OFFICIAL GOC REACTION APPEARS TO BE HEATING UP, HOWEVER. IN PRESS CONFERENCE JUNE 13, FOREIGN MINISTER HERNAN CUBILLOS STATED THAT THE GOC WAS ASKING FOR AN EXPLANATION TO DETERMINE "WHAT IS GOING ON". HE TUNED CONFIDENTIAL

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HIS REMARKS TO THE ARGENTINE RESTRICTIONS AND TO RECENT REMARKS ATTRIBUTED TO THE GOA DEFENSE MINISTER (REFTEL).

9. COMMENT: OFFICIAL CHILAN ARE EXPRESSING INCREASING CONCERN REGARDING THE POSSIBILITIES FOR ARGENTINE/CHILE CONFLICT OVER THE BEAGLE PROBLEM. WE REPORTED BY REFTEL THE GOC'S REACTION TO REPORTED STATEMENTS OF THE ARGENTINE DEFENSE MINISTER ON RECOVERING TERRITORY PROPERLY BELONGING TO ARGENTINA. IT HAS SEEMED CLEAR TO OBSERVERS HERE AND IN BUENOS AIRES THAT THE GOA IS FOLLOWING A CONSCIOUS POLICY OF APPLYING PRESSURE TO CHILE, NOT EXCLUDING THE THREAT OF MILITARY ACTION, IN ORDER TO GAIN CHILEAN CONCESSIONS IN THE BEAGLE NEGOTIATIONS. WHAT HAS CHANGED RECENTLY IS THAT THE CHILEANS ARE NO LONGER SURE THE BLUFF IS ONLY THAT. EITHER BECAUSE THEIR OWN INTERNATIONAL POSTURE IS WORSENING AS A RESULT OF THE LTELIER INVESTIGATION, OR BECAUSE EVEN BLUFFS CAN BECOME SELF-FULFILLING, THE CHILEANS ARE WORRIED. LANDAU

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